

KENTUCKY ECONOMIC INDICATORS

December 2006 as of February 23, 2007

KY Composite Index of Leading Indicators increased 6.0 percent in December.

- The Leading Index increased for the second consecutive month.
- The Leading Index registered as no change from the same month last year.
- The component indicators were all positive 5:0.
 - + KY Labor Intensity Index increased 0.0 percent (rounded).
 - + KY Index of Initial UI Claims increased by 14.9 percent.
 - + US Retail Sales increased by 15.3 percent.
 - + US Manufacturer's New Orders Index increased 39.5 percent.
 - + Louisville Help Wanted Index increased by 4 points to 42.

Component weights for December are 61.7, 17.3, 12.5, 6.5 and 2.0 respectively.

KY Composite Index of Coincident Indicators increased 2.5 percent in December.

- The Coincident Index is positive for the tenth time this year.
- Same-month-last-year growth is positive for the forty-first consecutive month at 1.7 percent.
- The component indicators were all positive, 3:0.
 - + KY Nonagricultural Employment increased 1.6 percent.
 - + US Industrial Production Index increased 6.8 percent.
 - + US Personal Income Less Transfers increased 0.9 percent.

Component weights for December are 40.4, 25.0 and 21.1 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

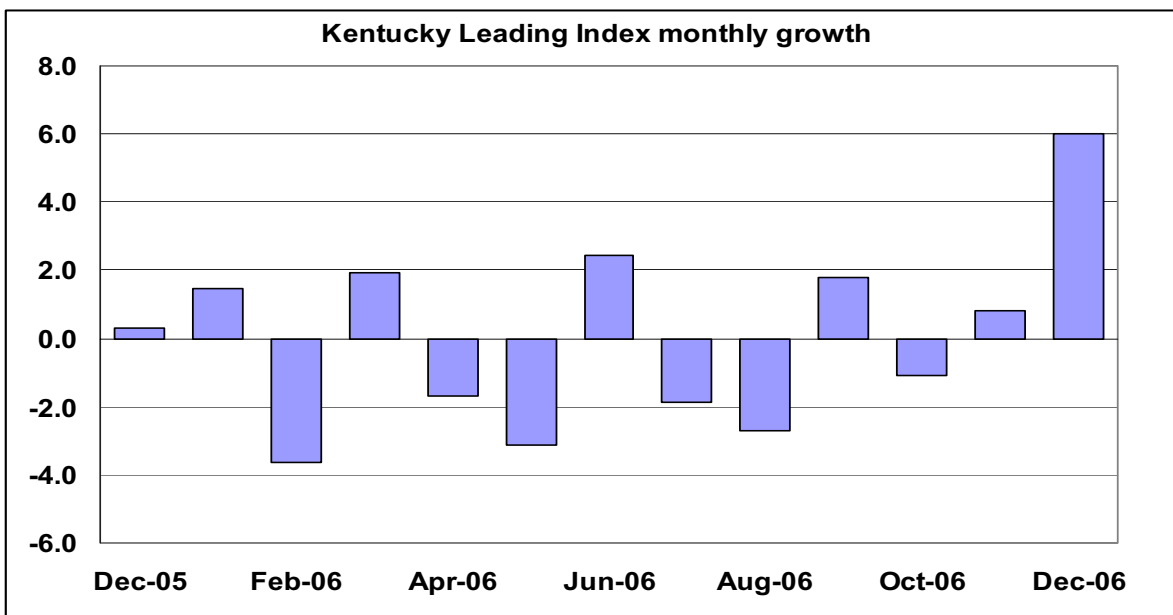
Despite a weak showing in the Labor Intensity Index, the Leading Index grew strongly in December. The Kentucky Labor Intensity Index showed only trivial growth of 0.033 percent. All five components of the index were positive. This is the strongest single month of growth in the Leading Index since March 2004 when it grew a revised 7.2 percent (originally 6.6 percent). The Louisville Help Wanted Index was the largest mover for December with an absolute increase of 4 points or 232 percent. The Help Wanted Index has increased for the last four consecutive months. The US Manufacturer's New Orders Index increased by 39.5 percent, making up the losses from the last two months of declines. The series is still below its level from December 2005. Overall December saw a strong performance from four of the five components.

Kentucky non-farm employment increased moderately in December, a net gain of 2,500 seasonally adjusted jobs. Most of the gains occurred in services sectors, while manufacturing employment fell again by 3.7 percent, a net loss of 800 jobs. A seasonally adjusted 200-job loss was in transportation equipment, with the rest of the manufacturing losses dispersed across several other subsectors. Professional and business services gained 1,400 seasonally adjusted jobs, making it the largest mover in the 11 supersectors of non-farm employment.

Both Kentucky first payments to unemployment insurance recipients and US initial claims declined in December. Kentucky first payments are those individuals who are receiving their first payment of unemployment insurance in a given unemployment year. Kentucky first payments declined by a seasonally adjusted 2,187 persons, a 19.8 percent decline from November. That is the largest single month decline since January 2003. US initial claims fell by a seasonally adjusted 12,100 persons, a 3.6 percent decline. Since this is seasonally adjusted data, this decline represents effects in addition to the normal Christmas hiring effect.

The Kentucky unemployment rate fell again, tying its lowest level of the year at 5.2 percent unemployment. Kentucky total tax receipts performed very well in December. They grew by a moderate 5.4 percent over a very successful December 2005.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

*Office of State Budget Director
Room 284, Capitol Annex
Frankfort, Kentucky 40601-3453*

*Thomas Jones
Phone: 502-564-7300
taj@ky.gov*

**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

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SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2006												
	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
US Leading Index (1996=100)	138.2	138.6	137.9	138.5	138.2	137.6	137.8	137.5	137.0	137.6	137.6	137.5	138.3
	2.6	3.5	-5.9	5.3	-2.6	-5.1	1.8	-2.6	-4.3	5.4	0.0	-0.9	7.2
	2.1	2.5	1.8	2.7	2.4	1.6	0.9	0.7	0.2	1.4	0.7	-0.3	0.1
US Coincident Index (1996=100)	120.7	121.1	121.3	121.6	121.7	121.8	122.0	122.2	122.5	122.6	122.9	123.0	123.2
	4.1	4.1	2.0	3.0	1.0	1.0	2.0	2.0	3.0	1.0	3.0	1.0	2.0
	1.5	2.4	2.4	2.7	2.5	2.4	2.3	2.2	3.2	2.8	2.8	2.2	2.1
US Non-Farm Employment (Mil.)	134.9	135.1	135.4	135.7	135.8	135.9	136.0	136.3	136.4	136.6	136.7	136.9	137.1
	1.8	1.8	2.7	2.2	1.3	0.9	1.1	2.0	1.7	1.8	1.0	1.7	1.8
	1.9	2.0	2.0	2.1	2.0	1.9	1.8	1.7	1.7	1.8	1.8	1.7	1.7
US Manufacturing Employment (000s)	14,222.0	14,227.0	14,226.0	14,225.0	14,244.0	14,234.0	14,259.0	14,236.0	14,232.0	14,223.0	14,182.0	14,162.0	14,150.0
	0.7	0.4	-0.1	-0.1	1.6	-0.8	2.1	-1.9	-0.3	-0.8	-3.4	-1.7	-1.0
	-0.5	-0.3	-0.4	-0.3	-0.1	-0.1	0.2	0.1	0.1	0.3	-0.1	-0.4	-0.5
US Service-Providing Employment (Mil.)	112.1	112.2	112.4	112.5	112.6	112.7	112.8	113.0	113.2	113.4	113.5	113.7	113.9
	1.4	1.1	1.7	1.8	0.8	1.2	1.1	1.5	2.4	2.3	1.6	2.1	1.9
	1.6	1.5	1.5	1.6	1.5	1.5	1.4	1.3	1.4	1.5	1.6	1.6	1.6
US Unemployment Rate (%)	4.9	4.7	4.8	4.7	4.7	4.6	4.6	4.8	4.7	4.6	4.4	4.5	4.5
US Manufacturer's New Orders Index (1996=100)	132.5	127.8	127.5	131.5	128.4	128.6	129.1	127.3	126.9	129.5	126.0	125.8	129.4
	2.7	-35.1	-3.3	45.9	-25.3	2.1	4.7	-15.3	-3.6	26.8	-28.2	-1.1	39.5
	5.8	2.8	2.5	7.1	3.6	-0.7	-0.3	1.5	-2.2	2.3	-1.5	-4.8	-2.4
US Initial Claims for UI (000s)	310.4	286.3	306.0	308.9	314.8	333.5	308.8	312.4	315.7	313.9	311.4	328.6	316.5
	-18.1	-62.1	122.2	12.0	25.5	99.9	-60.3	14.9	13.4	-6.6	-9.1	90.6	-36.3
	-4.6	-14.2	-5.1	-9.8	-4.2	-0.6	-4.7	-2.3	-0.5	-20.2	-8.1	4.1	2.0
US Industrial Production Index	109.1	109.1	109.4	110.0	110.9	110.9	111.9	112.3	112.5	112.2	112.0	111.9	112.5
	10.5	-0.5	3.1	6.5	11.3	-0.8	11.2	4.9	2.3	-3.7	-1.8	-1.5	6.8
	3.6	3.3	3.0	3.6	4.5	4.0	4.3	4.7	4.6	6.0	4.6	3.3	3.0
US Personal Income Less Trans. (Bil. 2000 chained)	7,976.0	8,033.5	8,075.9	8,089.8	8,055.8	8,028.1	8,051.6	8,074.6	8,091.5	8,163.7	8,212.6	8,237.4	8,243.5
	7.9	9.0	6.5	2.1	-4.9	-4.0	3.6	3.5	2.5	11.2	7.4	3.7	0.9
	-0.7	3.2	3.8	4.2	3.7	3.1	2.8	2.5	7.2	4.1	4.4	3.9	3.4
CPI, All Urban (1982-84=100)	197.8	199.0	199.1	199.6	200.8	201.9	202.4	203.2	203.8	202.7	201.8	201.9	202.8
	-0.6	7.5	0.6	3.1	7.5	6.8	3.0	4.8	3.6	-6.3	-5.2	0.6	5.5
	3.4	4.0	3.6	3.4	3.6	4.1	4.3	4.2	3.9	2.1	1.3	2.0	2.5
US Retail Sales (\$Billions)	350.5	362.1	358.7	361.2	363.6	364.3	362.4	367.4	367.5	365.3	364.5	366.1	370.4
	0.1	48.0	-10.9	8.7	8.3	2.4	-6.1	17.8	0.2	-6.9	-2.5	5.1	15.3
	5.6	9.5	7.4	8.0	7.0	7.6	5.3	4.8	6.3	5.5	4.7	4.5	5.7
US Consumer Expectations (1966=100)	80.2	78.9	74.5	76.0	73.4	68.2	72.0	72.5	68.0	78.2	84.8	83.2	81.2
	448.0	-17.8	-49.8	27.0	-34.1	-58.6	91.7	8.7	-53.6	435.0	164.4	-20.4	-25.3
	-11.8	-7.9	-11.7	-8.2	-4.7	-9.4	-15.3	-15.2	-11.6	23.5	34.2	19.5	1.2
Ave. Prime Interest Rate (% NSA)	7.15	7.26	7.50	7.53	7.75	7.93	8.02	8.25	8.25	8.25	8.25	8.25	8.25